

**OFFICIAL PROCEEDINGS OF THE BOARD OF  
TRUSTEES  
CITY OF LANSING  
EMPLOYEES RETIREMENT SYSTEM**

Regular Meeting  
City Council Conference Room  
10th Floor, City Hall  
Lansing, MI

October 23, 2014  
Thursday, 8:30 a.m.

The Board met in regular session and was called to order at 8:37 a.m.

Present: Dedic, Kraus, McCaffery, McIntyre, D. Parker (8:40), M. Parker – 6  
Absent: Trustee Bernero, Boles, Munroe

Others: Angela Bennett, Karen E. Williams, Finance Department; Attorney Kenneth Lane, Clark Hill (representing the City Attorney's Office); Greg Stump, Boomershine Consulting Group.

It was moved by Trustee McCaffery and supported by Trustee Parker to approve the Official Minutes of the Employees' Retirement System Regular Meeting of September 25, 2014.

Adopted by the following vote: 5-0

Secretary's Report. 4 new member(s), 0 reinstatement(s), 1 refund(s), 0 transfers, 0 retired. Total active membership: 305. Total deferred: 69. 1 death(s) Vesta Wares, died 9/23/2014, age 92, spouse of Nonbargaining retiree. Refunds made since the last regular meeting amounted to \$4,325.26. Retirement allowances paid for the month of August 2014, amounted to \$1,874,318.48. Total retirement checks printed for the ERS System: 908. Eligible domestic relations orders received: 0. Domestic relations orders pending: 0. Eligible domestic relations orders certified: 0.

There were no public comments.

There were no requests for duty disability retirements.

Ms. Williams reported that the medical report for Applicant #2014 – E0515 had been submitted to the disability subcommittee for review.

Trustee Kraus reported that the medical report for Applicant #2014-E0515 had been reviewed by the disability subcommittee. The Human Resource Director confirmed that there were no available jobs within the City of Lansing to accommodate the applicant. The disability subcommittee recommended to the Employees Retirement System Board to confer with the medical director's report and approve the non-duty application.

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It was moved by Trustee Kraus and supported by Trustee Parker to concur with Medical director's report and approve the non- duty application of Applicant #2014 – E0515.

Adopted by the following vote: 5-0

Ms. Williams reported that the Retirement Office had received some documents and the medical release from Applicant #2014 – E0619. The applicant's documents had been forwarded to the Medical Director for review and scheduling.

There were no requests for refunds of accumulated contribution.

Ms. Williams reported that Trustee Munroe and Trustee Boles had contacted the Retirement Office to be excused from the October meeting. Trustee Boles does not need to be excused because she is appointed by City Council.

It was moved by Trustee Kraus and supported by Trustee Parker to excuse Trustee Munroe from the October Employees Retirement System meeting.

Adopted by the following vote: 6-0

Trustee Dennis Parker provided a report of his attendance at the IFEBP Annual Conference. Trustee Parker attended workshops that focused on the affordable health care act and comparisons between the Defined Contribution and Defined Benefit plans.

Trustee Scott Dedic provided a report of his attendance at the IFEBP Annual Conference. Trustee Dedic remarked that this year's conference did not focus as much on the public sector and he attended workshops that focused on the affordable care act and bond investments.

Trustee Kraus provided a report of the Asset Consulting Group (ACG) due diligence meeting. The due diligence meeting provided a two-day intensive review of the Employees Retirement System portfolio. The trustees who attended had a timely review of the bond markets and stated the ACG would have recommendations for the Board's portfolio.

Trustee Mark Parker discussed ACG's recommendation regarding the Employees Retirement System asset allocation mixes and a suggestion to add additional investments of commodities and equity long/short for further diversification.

Trustee Dennis Parker also discussed ACG's recommendation for asset diversification and Trustee Dedic concurred with the information expressed in his report.

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Attorney Ken Lane provided a memo at the request of the Board's chairperson that researched if there was a conflict of interest to have the City Attorney to serve as the Human Resource Director and Trustee to the Employees Retirement System.

Attorney Lane explained the definitions of conflict of interest for a public employee and the Michigan Incompatible Public Office Act 566.

Attorney Lane opined that there is not a conflict of interest that would preclude the same person from serving as both Human Resources Director (and member of the Board) and as the City Attorney. Additionally, Attorney Lane concluded that the offices of Human Resources Director and City Attorney are not incompatible offices. Attorney Lane stated that there is a slight possibility of incompatible offices only if Trustee McIntyre had to repeatedly abstain from voting.

Trustee Dedic stated that he requested the due diligence review because the ERS Board deals with disability retirement cases that may also be under review by the administration.

Attorney Ken Lane updated the Employees Retirement System regarding the termination of Robbins Geller Rudman & Dowd. Attorney Lane received a response from Robbins Geller requesting that attend the November Joint meeting to provide information upon the sanctions reported in the news. Attorney Lane informed the law firm to process the termination as the Board requested and he would inform them of the Board's decision regarding the November meeting. Attorney Lane indicated that the agreement with the securities monitoring firm stated that upon termination, the Board must receive a letter indicating the all portfolio information for the Employees Retirement System had been destroyed.

The Employees Retirement System discussed and declined Robbins Geller Rudman & Dowd request to attend the November Joint Board meeting.

Trustee Dedic indicated that in the future, he would prefer that the Employees Retirement System Board allow firms who face termination the opportunity to be interviewed by trustees, as a part of Board trustees' due diligence.

Attorney Lane reported to the Employees Retirement System Board that Ms. Angela Bennett received a request from the Lansing financial health team working with a group of Michigan State University to review actuarial valuations from prior year. Ms. Bennett contacted legal counsel to review the request. Attorney Lane and Ms. Bennett met with the students and informed them that only the public valuation would be made available.

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Information that has not been approved and made public by the Board, such as member and retiree data information would not be supplied. Attorney Lane stated that the prior valuations are public records.

Ms. Bennett added that the students are working on a project that includes projections and reviewing trends. Ms. Bennett stated that the project is only for the semester and would not go into much depth. Ms. Bennett assured the ERS Board that students would not be looking at current data.

Attorney Lane discussed that he also shared the information with the Police and Fire Board. The report would be provided to Lansing financial team.

Karen Williams submitted the Northern Trust Custodian Bank SAS 70 Report for review by the trustees per ERS Board Policy. Ms. Williams reported that the Board generally accepts the report each year after legal and information technology review.

Attorney Ken Lane stated that he will review the SAS 70 Report and provide his recommendation at the next meeting. The ERS Board will also review the report and discuss at the next meeting. Trustee Dedic referred the SAS 70 report to pending.

Karen Williams reported that the 2015 annual membership dues for the following organizations: MAPERS, \$100; NCPERS, \$250; and IFEBP, \$835 (split between ERS and Police and Fire Retirement Boards)

It was moved by Trustee Mark Parker and supported by Trustee Dennis Parker to approve the annual membership dues for 2015 and pay the fees from the Board's administrative account.

Adopted by the following vote: 6-0

Trustee Dedic moved the Asset Consulting Group Investment materials to pending until they can be reviewed by trustees and discussed at the November Joint meeting.

Mr. Gregory Stump, Boomershine Consulting Group provided an overview of the Employees Retirement System Actuarial Valuation as of December 31, 2013. Mr. Stump discussed the current status of the system, reviewing the plan participants, retirees and employees, and the investment experience for 2013.

Mr. Stump recommended that ERS Board implement changes to the investment return assumption to 7.5% with a 3.0% inflation assumption and re-set the asset smoothing strategy to recognize pre-2013 gains.

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Trustee Kraus inquired if the Employees Retirement Board wanted to know what the Police and Fire Retirement Board decided. The ERS Board requested the information. Trustee Kraus stated that the Police and Fire Board moved to 7.6% with a 3.1% inflation rate assumption with the asset smoothing re-set.

Trustee Dedic requested an opinion from the City administration.

Ms. Bennett reviewed the valuation numbers with Boomershine Consulting Group and provided four potential rate assumption change scenarios and its impact on the city's contribution and budget. Ms. Bennett suggested either the 7.7% with a 3.2% inflation assumption or the 7.6% with 3.1% inflation rate assumption without the asset smoothing. Ms. Bennett recommended no asset smoothing because of the ERS current funding status.

Trustee Kraus recommended 7.6% with the 3.1% inflation rate assumption without the re-set smoothing.

Trustee Mark Parker inquired to Mr. Greg Stump if he would agree with the 7.6% with the 3.1% inflation rate assumption without the re-set smoothing, and to move toward 7.5% with the 3.0% inflation rate at a later time. Mr. Stump said that he would agree with the recommendation at 7.6%.

Attorney Lane opined that each trustee is a fiduciary to the system. If trustee approve decisions that make it impossible for the city to make its contributions, those decision would not be good for the system.

It was moved by Trustee Kraus and supported by Trustee Mark Parker to approve the investment rate of assumption at 7.6% with 3.1% inflation rate assumption with the asset re-set to buy down the contribution.

Adopted by the following vote: 6-0

Mr. Stump reviewed the administrative tables that detail factors for optional forms of benefit. He recommended no change to the tables because it did not appear that the factors were based on mortality tables.

Mr. Stump reviewed the funding and contribution outlook. Mr. Stump will send a funding policy for the Board's review.

Karen E. Williams reviewed a draft of the retirement calculation sheet that would be produced from the Tegrity Software. Greg Stump, Boomershine Consulting Group was able to provide an electronic version of the reduction factors used for optional forms of the payment of benefits. Ms. Williams updated the Board regarding the project status.

Trustee Kraus requested that the beneficiary name be included on the retirement calculation sheet. Trustee Kraus also suggested that the disclaimer provided on the retirement sheet include that the beneficiary designation was irrevocable.

Karen Williams reported that Tegrit has completed work on the Calculator Engine technical specifications and have moved on to retirement processes that would include payroll interface.

Karen Williams reviewed the Monthly Financial Report and the securities lending report for the month of September 2014.

The meeting adjourned at 9:56 a.m.

Minutes approved on \_\_\_\_\_

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Angela Bennett, Secretary  
Employees Retirement System

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Scott Dedic, Chairperson  
Employees' Retirement System